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Cover photo:
The courthouse in Saint-Joseph-de-Beauce for which the Société immobilière du Québec recently received the 1991 Office Building of the Year Award (Restored Buildings Category) given by the Building Owners and Managers Association (BOMA-QUÉBEC). The Société has also been nominated for other Canadian and International awards.

CORPORATE MISSION

The Société immobilière du Québec (SIQ), founded in 1984, is a Government owned corporation that provides office space to government departments and agencies in a way that meets their needs while maintaining efficiency and profitability.

L'immobilière du Québec

LETTERS OF TRANSMISSION

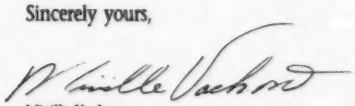
Mr. Robert Dutil
Minister responsible for La Société immobilière du Québec

Dear Sir:

I have the honour of presenting the annual report of La Société immobilière du Québec for the financial year ended March 31, 1991.

This report gives a comprehensive account of our activities and contains information of public interest.

Sincerely yours,



Miville Vachon
President and Chief Executive Officer

Mr. Jean-Pierre Saintonge
President of the National Assembly of Québec

Dear Sir:

I have the honour of presenting the annual report of La Société immobilière du Québec for the financial year ended March 31, 1991.

Respectfully yours,

Robert Dutil
Minister of Supply and Services

A MESSAGE FROM THE PRESIDENT

"We carefully manage an important part of Québec's real estate heritage."

Financial and human resources management, with regard to the company's goals of quality and efficiency, continued to motivate our staff during the financial period that has just ended.

The joint efforts of our employees, who manage one of the largest real estate portfolios in Québec, contribute more and more to the SIQ's reputation as "L'immobilière du Québec". This perception is certainly grounds for a feeling of pride among those who work for this major Government owned corporation that provides office space to government departments, agencies and, depending on the availability of premises, to the private sector in accordance with their needs.

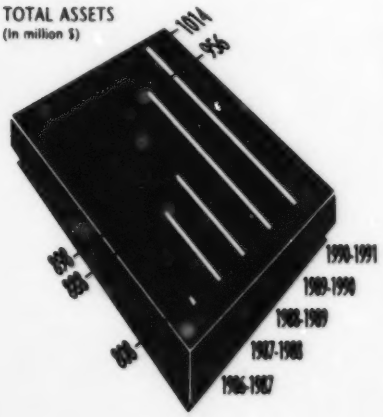
It also reflects our development objectives: to provide an impeccable service to all our clients, to become their partner in real estate management and to gratify our shareholder in a suitable manner.

In an economic cycle, rationalization is a daily concern. I am convinced that we reap the benefits of a certain sense of anticipation and that we carefully manage an important part of Québec's real estate heritage.

FINANCIAL SUMMARY
(in million $)

	1986 1987	1987 1988	1988 1989	1989 1990	1990 1991
Net earnings	8	20	12	21	25
Rebate to the Québec government	-	11	10	15	13
Funds generated by operations	21	34	27	38	49
Revenue	323	359	387	438	476
Total assets	808	888	898	956	1,014
Shareholder's equity	88	97	98	104	116
Acquisitions of fixed assets	91	88	67	67	83
Reimbursements to the Québec government	155	75	75	63	-

TOTAL ASSETS
(in million $)



FINANCIAL YEAR RESULTS

Results of the financial year ended March 31, 1991 show remarkable consistency. Out of a revenue of $476 million, the Société showed net earnings of $25 million, up 19% from the previous year. Funds generated by operations accounted for $49 million in 1990-1991.

At the end of the 1990-1991 financial year, the SIQ granted $13 million in rent reductions to government departments and agencies paid to the Québec Minister of Finance in the form of rebate, bringing to $49 million the total of dividends return to the Government in the last six years.

During the same period, for the first time in its history, the SIQ's total assets exceeded $1 billion, due mostly as a result of the acquisition of property totalling $83 million. According to municipal assesment, properties owned by the SIQ are appraised at a value of $1.47 billion.

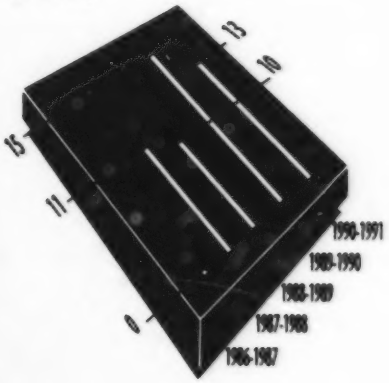
NET EARNINGS
(in million $)

The financial statement shows a noteworthy performance but it is also important to look beyond the financial results and examine the efforts made by the SIQ team. These demonstrate how the Société has become a role model of performance in the real estate business. For example, careful management allowed the SIQ to save over $5.4 million in property taxes following some 168 evaluation protests that have been resolved in our favor by the Bureau de révision de l'évaluation foncière since 1987.

The SIQ, which owns properties in over 300 cities and municipalities, will post an operating budget of $509 million in 1991-1992. According to a study done by the Bureau de la statistique du Québec two years ago, the SIQ creates an economic impact of close to $549 million in added value when including both the operation and the capital investment budgets.

The corporation is part of an evolutionary process. This is shown on a year to year basis and our company's philosophy is to keep the SIQ as a leader in advanced work methods in order to attain exceptional productivity levels. One of the main guidelines of our development comes from a well perceived interpretation and appropriate diffusion of corporate values well adapted to the 1990s.

REBATE
(in million $)



Customer service breeds the Société's existence and we equally realize that the management of human resources must integrate the respect and recognition of the individual. Our efforts in this area during the last financial year are worth mentioning; we have put into action a welcoming program for new employees and various staff members, according to a well prepared sequence, transmit them the assistance and reassurance framework needed to cope with their new environment.

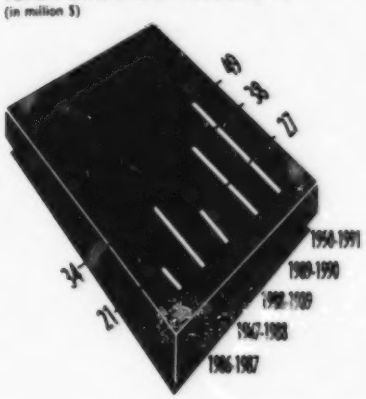
Efforts were also made in the field of professional training: courses in communication for upper management as well as training programs in other specialized areas were undertaken. Continuous training supports our philosophy of bringing together employees and clients in order to truly respond to all expectations.

LOOKING AT THE FUTURE WITH ASSURANCE

Six years after its inception, the SIQ, through staff expertise, has attained a high level of professional accomplishments while earning solid credibility with its clients, partners and with prominent organizations in the real estate industry.

During the last financial year, many important projects were completed. For instance: the Musée du Québec, should rapidly attain international recognition, the Conservatoire de musique de Chicoutimi and the construction of the Musée d'art contemporain, are well known projects which are now in a final phase of

FUNDS GENERATED BY OPERATIONS
(in million $)



completion. Also, the Lomer-Gouin building on Québec's Parliament Hill was inaugurated and the new courthouse in Saint-Joseph-de-Beauce, was officially open. In the latter project, the SIQ was awarded the 1991 Office Building of the Year Award (Restored Buildings Category) by BOMA-QUÉBEC in May of 1991.

Other important projects such as the courthouse in Laval and the Bon-Pasteur complex in Québec City were also undertaken.

This past year has also seen the finalization of the SIQ's acquisition of some 70 dams operated by the ministère de l'Environnement. In transferring these dams to the SIQ, the Government entrusted us with the responsibility of maintaining the equipement in good condition by the execution of restauration works.

This mark of confidence from the Government constitutes an acknowledgement of the SIQ's expertise in the management of Québec's real estate heritage; my colleagues and I are appreciative of this gesture.

Mrs. Diane Viau, Messrs. Jean Letourneau and Yvon Pomainville were appointed to the Board of Directors this past year. They replace Mrs. Monique Harvey, Messrs. Jean Boucher and Marcel Lacaille who had completed their two-year term. On behalf of my colleagues and all the employees of the Société, I would like to assure them of our deepest gratitude.

We are also grateful to our clients and suppliers, the management team and our staff throughout Québec for the work accomplished toward the advancement of "L'immobilière du Québec" in keeping with our collective commitment to total quality.

ACQUISITIONS OF FIXED ASSETS
(in million $)

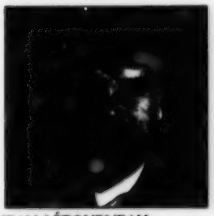
Miville Vachon
President and Chief Executive Officer

THE BOARD OF DIRECTORS

MIVILLE VACHON
President and Chief Executive Officer

MARCEL BEAUDRY
Lawyer
Beaudry, Bertrand, avocats

MARCEL LACROIX
President
Placements Marcel Lacroix inc.



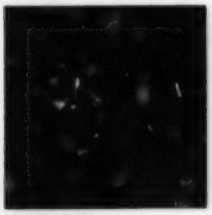
JEAN LÉTOURNEAU
Vice-President Finance and Industry
Rexfor

SUZANNE MASSÉ
Managing Director
Les Voyages Émérillon inc.

GIUSEPPE MORSELLI
President
Buffet Trio inc.

CHARLES E. PLAMONDON
Administrator

YVON POMAINVILLE
Businessman



DIANE VIAU
Geographer and Developer

MICHEL HÉBERT
Corporate Secretary

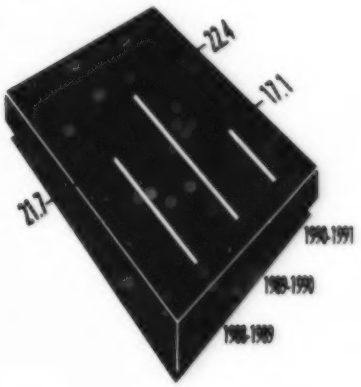
BOARD OF DIRECTORS

The SIQ Board of Directors includes nine Government apppointed persons, and a corporate secretary. These directors are responsible for the sound management of the corporation. During the past year, three new Directors, Mrs. Diane Viau, Messrs. Jean Letourneau and Yvon Pomainville were appointed to the Board in replacement of Mrs. Monique Harvey, Messrs. Jean Boucher and Marcel Lacaille who had completed their two-year mandate.

1990-1991 REVIEW OF OPERATIONS
An additional phase in the development of "L'immobilière du Québec".

With valuable experience acquired over the past six years of operation, with its competitive rates and its concern for quality, the SIQ has completed another year of activities and has shown impressive results in its efforts to strengthen its position in the Québec real estate market.

CLIENT REQUESTS
(in thousands)



The SIQ serves some 189 clients, of which 96 are designated by the Government. It also operates 1,117 buildings which house more than 56,000 people.

In carrying out the company's mandate, client-related functions are the responsibility of the Vice-President of Real Estate Operations, and spread over the 19 regional management offices and the Client Services Department. This management group consists of delegates that are in direct contact with representatives of client departments and agencies. Each delegate receives and processes all requests for office space needs and improvements that represent amounts higher than $25,000 or requiring construction work.

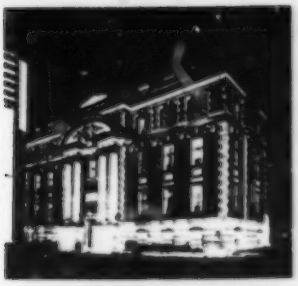
During the last fiscal year, the Client Services Department registered some 436 client requests compared to 521 the preceeding year.

The regional offices handle requests when estimated costs are less than $25,000 and which have no impact on occupied space. Over the past year, managers received 16,709 client requests of which 4,408 were billable. Internally, they initiated 22,719 work requests in order to maintain and improve the condition of a number of properties. They were involved in more than 21,450 cases related to planned maintenance.

"L'immobilière du Québec" wants to be open and accessible. Meetings with the media are common in Québec City and also in the various regions.

The SIQ is increasingly present in the various regions of Québec and visits to these regions by the management contribute to this visibility.

Work completion in the Bois-de-Coulonge, a magnificent urban park located in Sillery, was highlighted by the unveiling of a plaque in the presence of Mr. Robert Dutil, Québec's Minister of Supply and Services.



The Bibliothèque nationale du Québec, housed in the superb Marie-Claire Daveluy building in Montréal.

The Sûreté du Québec is an important SIQ client in Montréal and throughout the province. Its numerous operational centers include the multi-functional building on Parthenais Street in Montréal, where the Sûreté du Québec Headquarters are located.

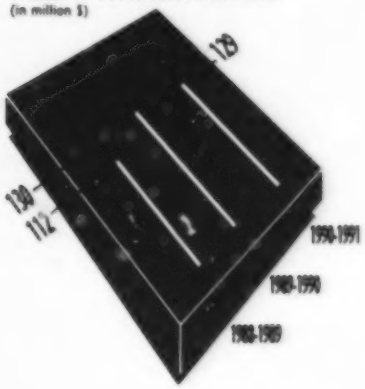
MANAGING WITH OPENNESS

The SIQ occupies a distinct position in the market as a supplier of space and real estate services for various government departments and agencies. Being competitive and offering valuable expertise, its efficiency accounts for its credibility with clients, suppliers and various service organizations.

Since its inception, the SIQ rigourously observes a strict regulations and procedures code for awarding contracts and professional mandates. During the last financial year, the SIQ awarded more than 19,700 contracts, worth $129 million, to the private sector.

The Société had the opportunity to present its method of operation to the "Groupe de travail sur le processus d'octroi de contrats du gouvernement". The SIQ, in principle and in fact, enthusiastically subscribes to the report entitled "L'efficacité dans la transparence" (Bernard Report) tabled in May, 1990.

VALUE OF CONTRACTS AWARDED
(in million $)



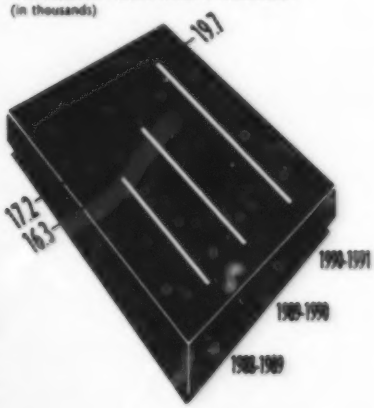
TOWARD A BETTER QUALITY OF LIFE

The SIQ, at all times, strives to provide its clients and its working personnel with office space that meets the required standards directly related to the quality of life in the workplace.

Again this year the SIQ's environmental quality specialists supervised the application of strict standards, often going beyond prescribed norms relative to work environment, air quality and disposal of dangerous waste materials.

Occupant security through the application of safety measures and existing regulations as well as through the awareness and prevention of emergency situations are also a matter of daily concern. Throughout the year, the Société continued to apply and respect the provisions of Bill 84 for the protection of non-smokers.

NUMBER OF CONTRACTS AWARDED
(in thousands)



The administration of justice calls for adequate physical settings both for the legal apparatus and the system users. In existing buildings, such as the courthouse in Longueuil, the SIQ carries out valuable energy conservation programs and...

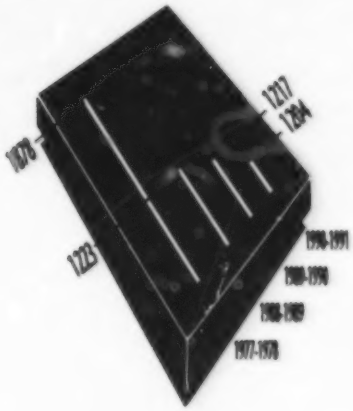
...oversees the construction of new buildings, such as the Laval courthouse currently being completed.

ENERGY RESOURCES MANAGEMENT

The strict control of energy consumption in our buildings stands as one of our management's top priorities. In order to achieve reduction goals, energy saving equipment and sophisticated computer controlled systems have been installed.

The SIQ's performance in this area has been remarkable. Since the program's introduction in 1977-78, under the aegis of the former Department of Public works and Supply, we have saved more than $87 million. Energy consumption has gone from 1,878 MJ/square metre to 1,204 MJ/square metre in 1990-1991. This ratio is way above BOMA standards and earned the SIQ numerous distinctions and awards from this same organization.

ENERGY CONSUMPTION
(in megajoules/square metre)



THE EVOLUTION OF KNOW-HOW

Various projects undertaken or completed over the past year are worth mentioning in this review of activities.

The SIQ received a new award from BOMA-QUÉBEC in the restored buildings category for the expansion and renovation of the courthouse in Saint-Joseph-de-Beauce. This honour is shared by the SIQ team and outside professionals who brought this project to fruition.

The work completion at the Musée du Québec, situated on the Plains of Abraham, was a significant event as, in May, the public was once again able to enjoy this internationally renowned site.

Elsewhere, work is progressing at the new Musée d'art contemporain, situated in the of Place des Arts complex in Montréal, and there is every indication that it will be completed on time. Also, the Laval courthouse should open its doors early next year.

During this last financial year, the Lomer-Gouin building on Québec's Parliament Hill was inaugurated. Preliminary work also started the Bon-Pasteur project which involves a total investment of $37 million in an apartment/office complex.

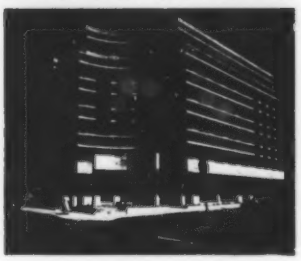
THE IMPORTANCE OF PARTNERSHIPS

What the future holds for a corporation such as the SIQ depends on partnerships. Over the past few years, many real estate development projects backed by rational management have been realized using this modern and profitable approach.

Appropriate client services and sustained partnerships are areas in which the SIQ is indeed well at ease. During the past year, we signed a long-term agreement with financial participation option, for a large area located in a building owned by the Société immobilière Trans-Québec inc. in Québec City. Another partnership agreement was signed with the Caisse de dépôt et placement du Québec and the City of Québec concerning the construction of a commercial and office building in the Ilôt Mont-Carmel in Old Québec.

The first phase of the Bon Pasteur project, will comprise a six-storey building, with a terrace, bordering on Saint-Cyrille Boulevard, west of the Marie-Guyart building. The second office building in the project will be built on Scott Street and will also offer 64 cooperative housing units. The Société Bon-Pasteur is a joint-venture project by the Corporation d'aménagement du couvent Bon-Pasteur, the Mutuelle des fonctionnaires du Québec and the Société immobilière du Québec. In order to carry out the project, the enterprise leased the SIQ's land by virtue of a long-term lease.

The partnership approach also includes, as mentioned earlier in the President's Report, taking in charge a network of dams belonging to the ministère de l'Environnement and the strengthening of cooperation with agencies such as the Sûreté du Québec.

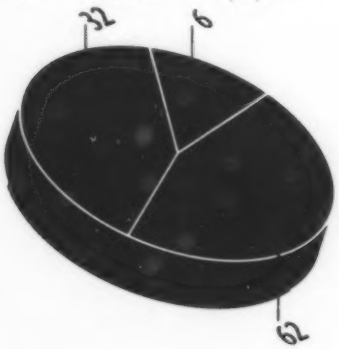


The Bon-Pasteur project will harmoniously combine office space with co-operative housing.

The Lomer-Gouin building, located at the heart of Québec's Parliament Hill, was inaugurated during the past year.

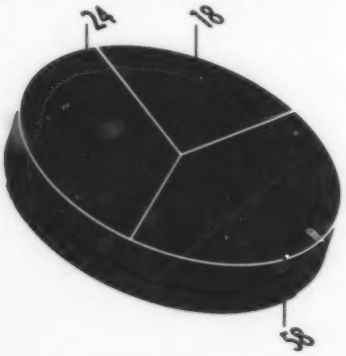
BREAKDOWN OF OWNED PROPERTIES BY SIZE

6%	< 1000 m²	254 properties
32%	1000-5000 m²	186 properties
62%	> 5000 m²	53 properties



BREAKDOWN OF LEASED PROPERTIES BY SIZE

18 %	< 1000 m²	485 properties
24 %	1000-5000 m²	103 properties
58 %	> 5000 m²	36 properties



COMBINED ACTION AND HARMONY

The SIQ's collective commitment to total quality is based on the individual support of its staff as well as the combined action that the large operational sectors have developed. In the past few years, the SIQ's structure and operation methods have undergone major adaptations. These changes are now totally integrated and the three Vice-Presidents work closely together to obtain maximum productivity from their sectors.

• *Vice-Presidency, Real Estate Affairs and Construction*

The Vice-Presidency, Real Estate Affairs and Construction is responsible for the planning and development of SIQ properties.

It prepares preliminary studies and develops real estate solutions suited to client needs and the availability of SIQ properties based on Supply and Service Department guidelines. The accepted projects are achieved through new rental space, the construction of new buildings in order to meet specific needs and the use, with or without improvements, of existing buildings. This Vice-Presidency handles all the transactions necessary to manage SIQ properties efficiently and profitably. It handles all construction, rental and renovation projects to meet set budgets and deadlines. Specialized services include appraisals, estimations, evaluations, architecture, engineering and project management.

• *Vice-Presidency, Real Estate Operations*

This Vice-Presidency assures continous relations and follow-up between the SIQ and its clients through the Client Services Department and the 19 regional offices. It handles client requests and oversees that the SIQ meets its obligations towards its tenants. It is also responsible for the operation, maintenance and preservation of the corporation's buildings.

• *Vice-Presidency, Finance and Administration*

The Vice-Presidency, Finance and Administration provides logistic support and manages human, computer, financial and material resources. It also provides the practical means of evaluating the corporation's goals for efficiency, profitability and fairness. It maintains internal controls in order to ensure the maximum use of resources. This Vice-Presidency supervises the awarding of SIQ contracts and applies its pricing policy.

MANAGEMENT COMMITTEE

MIVILLE VACHON
President and Chief Executive Officer

GUY BISSON
Vice-President, Real Estate Operations

PIERRE PRÉMONT
Vice-President, Finance and Administration

GUY VACHON
Vice-President, Real Estate Affairs and Construction

MICHEL HÉBERT
Assistant to the President

Client Services include information meetings with real estate managers from the various government departments and agencies.

EFFECTIVE COMMUNICATIONS

Over the years communication in all its aspects, has grown in importance within the SIQ and is considered as one of its main corporate objectives.

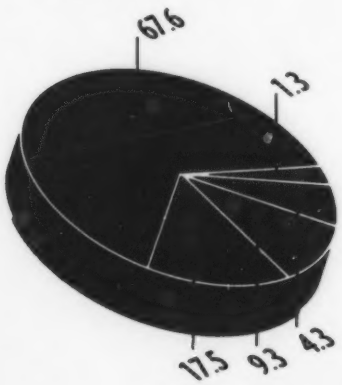
Internally, it includes a variety of training programs offered to employees present in various levels of the organization. It also involves numerous and systematic exchanges with upper management through regional visit programs. During the past year, the President visited all regions, regularly combining personnel meetings, and meetings with local and regional media.

Externally, communication means availability for the clients, openness concerning the media, participation in various exhibitions and the adoption, over the past year, of a visual identification procedure for uniforms and vehicles.

The social dimension is also represented through participation in various humanitarian endeavours.

BREAKDOWN OF RENTAL AREA BY TYPE OF SPACE

67.6% Office space and other premises (courtrooms, registration offices, meeting rooms, etc.)
17.5% Wharehousing
9.3% Other (mainly detention centres and residences)
4.3% Workshops
1.3% Laboratories



THE SIQ HONOURED

The Société was awarded a variety of distinctions over the past year. Among these is the BOMA-QUÉBEC trophy for the expansion and renovation of the courthouse in St-Joseph-de-Beauce. This most prestigious award recognizes the SIQ's efforts in the preservation of the Québec heritage.

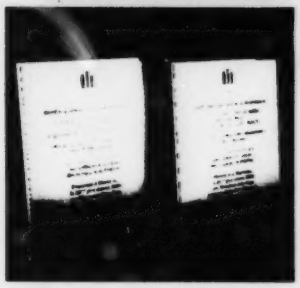
The same organization also honoured the SIQ for its energy conservation program just into effect at the Jos-Montferrand building, an important nine-storey office complex, totalling 27,875 square metres located in Hull. The SIQ operates this building under a long-term lease and registered a 30% cost saving for energy consumption by adopting sophisticated systems and procedures that do not affect the tenants comfort.

The SIQ was also honoured in the institutional building category during the Ordre des architectes du Québec's Awards of Excellence competition. This honour was granted for the Centre de conservation du Québec, a building situated in the Québec City industrial zone, where laboratories and archaeological reserves are found.

In September of 1990, at the Gala Energia organized by the Association québécoise pour la maîtrise de l'énergie, the SIQ received the Jury's Trophy for the Longueuil courthouse. This building, as well as the Sûreté du Québec station located in Tracy, were also awarded, earlier in 1990, BOMA-QUÉBEC plaques in recognition of efforts made in cutting down energy costs.

Two buildings, one occupied by the ministère de l'Agriculture, des Pêcheries et de l'Alimentation in Nicolet and another by the ministère des Transports, were awarded prizes for landscaping projects during the "Villes et villages fleuris" competition.

Finally, the corporate video entitled "L'immobilière du Québec" placed sixth in the information-promotion category at the Corpovision 90 competition. This first video forum, held in Montréal in May 1990, listed more than 150 entries.



The expansion and renovation of the courthouse in Saint-Joseph-de-Beauce earned the SIQ the 1991 BOMA-QUÉBEC award in the restored buildings category as well as recognition for the energy conservation program put into effect in the Jos-Montferrand building in Hull.

The Energia trophy was awarded for its energy conservation program at the Longueuil courthouse. This award is given by the Association québecoise pour la maîtrise de l'énergie (AQME).

BOMA-QUÉBEC also recognized the SIQ's energy conservation efforts in 1990 for the Longueuil courthouse and the Sûreté du Québec station in Tracy.

PROFESSIONAL AFFILIATIONS

Member of the Building Owners and Managers Association of Québec (BOMA)

Member of the Association québécoise de la qualité

Member of the Chambre de commerce et d'industrie du Québec métropolitain

Member of the Greater Montréal Chamber of Commerce

Represented within the following organizations:

American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)

Association québécoise pour la maîtrise de l'énergie

Association des directeurs de police et pompiers du Québec

National Fire Protection Association (USA)

Refrigeration Service, Engineer Society (USA)

Société internationale d'arboriculture-Québec

Canadian Industrial Safety Society

Teamwork is part of the SIQ management and employees approach.

Welcoming new employees is part of a specific program which was enhanced, in 1990, by the publication of a manual entitled "Vous et L'immobilière du Québec".

INTERNAL LIFE

People: the SIQ's most important resource

As many other companies do, SIQ management puts forward its most fundamental resource, its employees.

At March 31, 1991, the Société employed 1,005 regular and 92 part-time employees, a slight increase of 1% over the preceding year. Since its inception in 1984, the SIQ has progressively reduced its staff by approximately 15%.

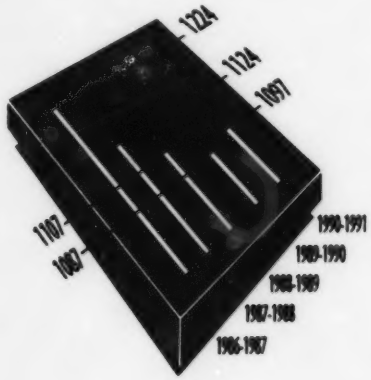
The SIQ also wishes to stress the fact that it offers a number professional development courses to its employees. The SIQ also favours internal promotion. Last year, 90 employees, or 9% of the regular staff, were promoted. During the same period, the SIQ hired 94 new regular employees, 58 of which were previously part-time employed and 19 employees retired. The creation and maintenance of team spirit is achieved through safe working conditions, respect for employees at all levels, fair remuneration and indisputable employees' right to voice their opinion openly.

This basic approach is valuable at all levels of the organization. As a consequence, the SIQ President met with all employees during his regional tour during the past year.

Training programs for employees at various levels of the organization were also consolidated or improved.

The Société adheres to the principles of equal opportunity employment. In 1986, women represented 24% of our workforce. In 1991, the total number has reached 33%. This improvement notwithstanding, we realize that there is still work to be done to increase the number of women, visible minorities and handicapped at all levels of the organization and we are acting accordingly.

EVOLUTION OF NUMBER OF EMPLOYEES



In cooperation with UQAM, SIQ managers took a course in communications and efficient resource management.

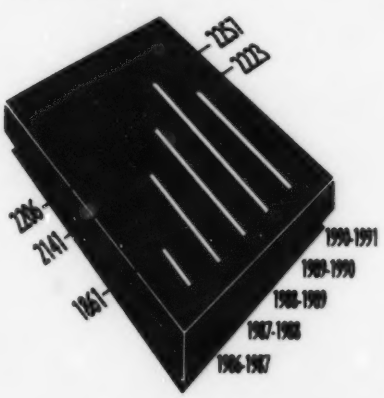
WELCOMING

The personnel welcoming program is in full swing with an employee manual entitled "Vous et L'immobilière du Québec" which was published the past year.

PROFESSIONAL TRAINING

Various training sessions were organized over the year for real estate technicians, division and services managers. These sessions dealt with a variety of topics including contracts, leases, regulations, technical aspects such as energy conservation, safety, air quality, etc. Employees who took advantage of these sessions numbered 193. Also, the Société again encouraged participation in various higher education and advancement courses by reimbursing the fees associated with these activities. Some 366 employees participated in this program.

GROWTH OF THE AREA MANAGED PER EMPLOYEE
(in square metres)



COMMUNICATION COURSES

The majority of the Société's managers followed an intensive course in communications and efficient resource management offered by UQAM and adapted to the specific needs of the Société. As well, the managers of Real Estate Affairs and Construction and Real Estate Operations participated in a forum to improve communications thus enhancing customer service.

WITH A VIEW TO RETIREMENT

Twenty-nine employees attended a course designed by the Commission administrative des régimes de retraite et d'assurances (CARRA) to prepare them for retirement.

OTHER ACTIVITIES

The SIQ Employees Social Club was formed in the past year. After only a few months, the club had already reached a membership of more than 58% of all employees.

The SIQ was also active in other areas. A dozen or so employees, notably from management, addressed a variety of audiences during the past year and contributed to the organization of professional activities.

The SIQ again awarded a scholarship to a third-year student in the urban and real estate management program at Université Laval, a leader in this field.

REAL ESTATE HOLDINGS

The physical environment is a determining factor, especially in a prison setting. At the Sherbrooke Detention Centre, prisoners can participate in a variety of work, such as horticultural maintenance, conducive to their reintegration into society.

At the Conservatoire de musique de Chicoutimi, students do not put music on trial even though the school was converted from the old courthouse; a remarkable SIQ accomplishment particularly in the area of soundproofing.

REAL ESTATE HOLDINGS THROUGHOUT QUEBEC

The SIQ operates diversified real estate properties of some 2.44 million square metres of rental space of which 68% is office space. Located in over 300 cities and municipalities, these properties are mainly found in the Greater Quebec Area where numerous government administrative offices and agencies are situated (39%).

The Montreal Urban Community accounts for 23.4% of the properties whereas the rest of the province shares the remaining 37.6%.

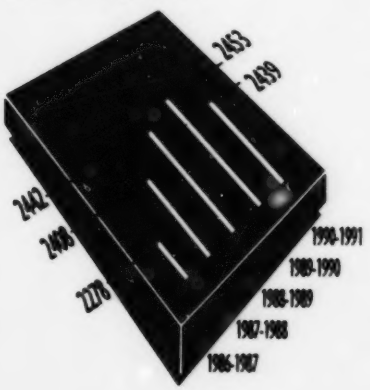
These properties consist of 1,117 buildings. Owned properties account for 61% whereas rented properties represents 39%. This conglomeration of properties is 14,000 square metres smaller compared with that of the previous financial year. During its six years of operations, the SIQ total rental space increase was 5.8%. It must also be mentioned that over the past year, 70 dams previously managed by the ministère de l'Environnement were added to the holdings.

This strict management of public funds allowed the SIQ to increase the quality of its properties while maintaning the costs of housing the various government departments and agencies at less than 1% of the Government's total budget (financial and depreciation expenses excluded).

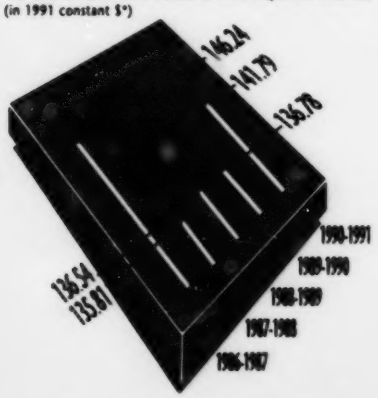
Effective management of properties kept vacant space at 3.9% during the past year.

The 89 buildings of more than 5,000 square metres represent 60.5% of total space. The other 39.5% is spread over 1,028 buildings located in the various regions of Québec.

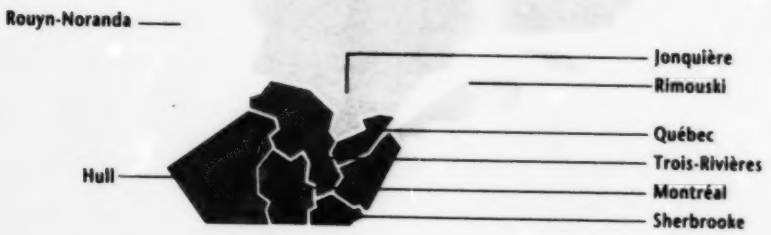
TOTAL RENTAL SPACE
(in thousands of square metres)



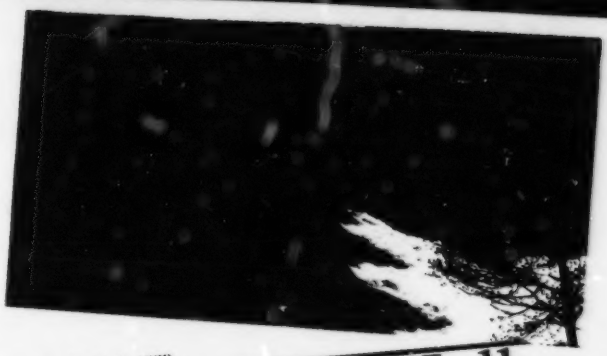
TOTAL OPERATION COSTS PER SQUARE METRE
(in 1991 constant $*)



*Excluding interest on debts, improvements and other billable services.



Region	Number of regional offices	Number of buildings	Rental space in square meters
Québec	7	249	1,054,578
Montréal	6	277	777,334
Jonquière	1	206	139,647
Rimouski	1	116	116,223
Sherbrooke	1	73	107,551
Trois-Rivières	1	59	88,967
Hull	1	57	82,310
Rouyn-Noranda	1	80	72,732
Total	19	1,117	2,439,342



In 1990, the SIQ, by government decree, became the owner of more than 70 dams previously managed by the ministère de l'Environnement.

LE DROIT, OTTAWA-HULL. Vendredi 22 juin 1990

Travaux à la prison de Hull: pas avant le printemps

LES AFFAIRES Samedi 6 avril 1991

IMMEUBLE

La Société immobilière du Québec: plus d'un milliard de $ d'immeubles

La nouvelliste Trois-Rivières Samedi 19 mai 1990

La SIQ: un gros administrateur immobilier

L'EDITORIAL Parkons-Affaires Rivière-du-Loup juin 1990

La Société immobilière du Québec investit un autre 13 millions $ en région

ECHO-DIMANCHE Rimouski Dimanche 27 mai 1990

La SIQ, chef de file de l'immobilier au Québec

DOSSIER JOURNAL CONSTRUCTO, le mardi 11 septembre 1990

La Société Immobilière du Québec

Plus de 17 000 contrats accordés au secteur privé pour une valeur globale de plus de 125 millions $

As representative and project manager for the Musée du Québec project, the SIQ successfully completed its expansion and renovation while meeting budgets and deadlines.

I have audited the balance sheet of the Société immobilière du Québec as at March 31, 1991 and the statements of earnings, retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1991 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by the Auditor General Act (R.S.Q. chapter V-5.01), I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

The Auditor General of Québec

Rhéal Chatelain, f.c.a.
Québec, May 31, 1991

Rhéal Chatelain, f.c.a.
Québec, le 31 mai 1991

SOCIÉTÉ IMMOBILIÈRE DU QUÉBEC

BALANCE SHEET
AS AT MARCH 31, 1991
(In thousands of dollars)

	1991	1990
ASSETS		
Properties and dams (note 3)	939,375	895,469
Equipment	2,257	2,421
Investments (note 4)	19,287	13,499
Investment in a direct financing lease (note 5)	1,883	1,984
Accounts receivable (note 6)	26,812	33,731
Other assets - net (note 7)	9,627	8,554
Short-term investment - at cost	15,000	-
	1,014,241	955,658
LIABILITIES		
Long-term debt (note 8)	773,749	669,386
Bank loans	30,632	99,379
Accounts payable and accrued liabilities	83,165	76,950
Outstanding cheques less cash	10,667	5,473
	898,213	851,188
SHAREHOLDER'S EQUITY		
Capital stock (note 9)	80,001	80,001
Contribution by the Québec government (note 10)	7,666	7,666
Retained earnings	28,361	16,803
	116,028	104,470
	1,014,241	955,658

COMMITMENTS (note 15)
CONTINGENCIES (note 16)

ON BEHALF OF THE BOARD OF DIRECTORS

President and Chief Executive Officer

Director

EARNINGS FOR THE YEAR ENDED
MARCH 31, 1991
(in thousands of dollars)

	1991	1990
REVENUE		
Rentals (note 11)	466,650	412,553
Construction services	3,851	16,895
Share of net earnings of the affiliated company	3,788	2,598
(Loss) gain on disposal of fixed assets	(151)	4,460
Other	1 854	1,496
	475,992	438,002
EXPENSES		
Operating expenses on properties		
Leased	164,145	149,437
Owned	105,491	92,191
Cost of construction services	3,831	16,629
Finance charges - net (note 12)	73,601	61,029
Real estate and business taxes on properties	48,126	45,822
General and administrative charges	28,060	28,566
Depreciation	27,731	23,232
	450,985	416,906
NET EARNINGS	25,007	21,096

RETAINED EARNINGS FOR THE YEAR ENDED
MARCH 31, 1991
(in thousands of dollars)

	1991	1990
BALANCE AT BEGINNING	16,803	10,707
Net earnings	25,007	21,096
	41,810	31,803
Rebate paid to the Québec government (note 13)	13,449	15,000
BALANCE AT END	28,361	16,803

CASH FLOW FOR THE YEAR ENDED
MARCH 31, 1991
(in thousands of dollars)

	1991	1990
OPERATING ACTIVITIES		
Net earnings	25,007	21,096
Charges not requiring cash outlay:		
Depreciation of fixed assets	27,418	22,563
Amortization of deferred charges	591	967
Share of net earnings of the affiliated company	(3,788)	(2,598)
Loss (gain) on disposal of fixed assets	151	(4,460)
Funds generated by operations	49,379	37,568
Net change in other assets and liabilities*	11,470	(4,109)
Funds generated through operating activities	60,849	33,459
REBATE PAID TO THE QUÉBEC GOVERNMENT	(13,449)	(15,000)
FINANCING ACTIVITIES		
Long-term loans	150,212	201,196
Redemption of investment in a direct financing lease	101	90
Repayment on bank loans	(68,747)	(82,418)
Payments on long-term debt	(45,849)	(7,457)
Repayment to the Québec government	-	(62,985)
Funds generated through financing activities	35,717	48,426
INVESTMENT ACTIVITIES		
Acquisitions of properties and dams	(82,395)	(66,422)
Acquisitions of equipment	(751)	(815)
Proceeds from disposal of fixed assets	11,835	6,514
Investment in a joint venture company	(2,000)	-
Funds absorbed by investment activities	(73,311)	(60,723)
Increase of funds	9,806	6,162
Outstanding cheques less cash at beginning	(5,473)	(11,635)
Funds (Outstanding cheques less cash) at end	4,333	(5,473)

The corporation's funds include cash and short-term investment, less outstanding cheques.

*Includes changes in accounts receivable, other assets - net and accounts payable and accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1991
(All the amounts in the tables are given in thousands of dollars)

1. CONSTITUTION AND CORPORATE MISSION

The corporation is a limited company established by the Act respecting La Société immobilière du Québec (R.S.Q.,C.S-17.1). It is responsible for renting properties to government departments and agencies, and providing them with construction, operating and real estate management services.

2. ACCOUNTING POLICIES

The corporation's financial statements have been prepared by management in accordance with generally accepted accounting principles. These statements include amounts based on the best estimates and judgements. The corporation's accounting policies and standards for presenting financial information comply with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

PROPERTIES

- *In operation and for corporate use*

  Properties in operation and for corporate use acquired by transfer from the public domain are accounted for at the value determined by the Québec government.

  Other acquisitions are accounted for at cost.

- *Under construction*

  The cost of properties under construction includes, in addition to direct costs, operating expenses, property taxes, interest and the applicable portion of general and administrative costs related thereto, less rental income. Properties under construction are not deemed to be in operation until the project is fully completed and the premises have reached a satisfactory level of occupancy, subject to reasonable delay.

- *Intended for sale*

  Properties intended for sale are valued at the lesser of depreciated cost and net realizable value. Depreciation is not recorded with respect to these properties once the corporation decides to sell them.

- *Land held for or under development*

  Land held for or under development is valued at the lesser of cost and net realizable value. Cost includes acquisition cost, operating expenses, property taxes, interest and the applicable portion of general and administrative expenses related thereto, less rental income.

DAMS

Dams, including related real estate and movables, acquired by transfer from the public domain are accounted for at the value determined by the Québec government.

Other acquisitions are accounted for at cost.

The cost of dams under construction includes, in addition to direct costs, property taxes, interest and the applicable portion of general and administrative expenses related thereto.

EQUIPMENT

Equipment acquired by transfer from the public domain is accounted for at the value determined by the Québec government.

Other acquisitions are accounted for at cost.

DEPRECIATION OF FIXED ASSETS

The depreciation of properties in operation and for corporate use is calculated according to the sinking fund method, at 5 percent per annum in order to amortize the cost of these properties over an estimated useful life of between 15 and 50 years.

Equipment is depreciated according to the straight-line method of depreciation over an estimated service life of 5 years.

Major tenant improvements made on behalf of the clients are depreciated over a period varying from 5 to 15 years. Depreciation of these improvements is calculated according to the sinking fund method at a rate corresponding to that charged to the client.

CAPITALIZED INTEREST

The portion of interest attributable to properties and dams under construction and land held for or under development is capitalized by using the weighted average rate of interest-bearing debts.

INVESTMENT

The corporation accounts for its investment in Place Desjardins inc. and Société Bon-Pasteur enr. according to the equity method. Under this method, each investment is recorded at cost and is increased or reduced by the corporation's share of participation in the results of each company from the date of acquisition and reduced by dividends received. The investment in Place Desjardins inc. is reduced by the amortization of the excess of the price paid over the book value of shares acquired.

The excess of the price paid over the book value of shares acquired from Place Desjardins inc. is amortized according to the same method as corporate properties in operation, except for the estimated useful life of 60 years.

DEFERRED CHARGES

The development costs of computer-based systems are amortized according to the straight-line method over a period of 5 years.

The discount and issuance expenses of long-term debt are amortized over the term of the debt according to the straight-line method.

The other deferred charges are amortized according to the straight-line method over a period of 10 years.

Deferred charges are recorded under the item "Other assets - net".

DEFERRED RENTAL REVENUE

Deferred rental revenue is amortized according to the straight-line method over a period of 30 years.

Deferred rental revenue is recorded under the item "Other assets - net", in reduction of deferred charges.

WORK IN PROGRESS

Construction and minor tenant improvement projects which have not been completed and must be billed when a progress report is presented or upon completion of the work are shown as work in progress under the item "Other assets - net". Such work is recorded at cost, less amounts billed.

LEASES

- *Capital leases*
  When, under the terms of the lease, virtually all the advantages and risks inherent in ownership of the leased property favour or are assumed by the corporation, the cost of the leased property and the actual value of the liability arising therefrom are accounted for as though the acquisition of an asset and a loan were involved. Property covered by a capital lease is depreciated according to the same method as other fixed assets.

- *Operating leases*
  Rent derived from operating leases is charged off to earnings.

- *Direct financing leases*
  When, under the terms of the lease, virtually all the advantages and risks inherent in ownership are transferred to the corporation's clients, the actual value of the minimum payments to be received is accounted for as though the disposal of an asset and an investment were involved.

  Financing revenue derived from these contracts is credited to earnings according to a formula which makes it possible to obtain a uniform rate of return over the term of the lease.

LONG-TERM DEBT

Debentures issued at a high rate of discount are recorded at their present value, increased annually by the capitalization of the discount as being interest, under the compound interest method.

3. PROPERTIES AND DAMS

	Land	Buildings	Dams	Properties under capital leases	Major impro-vements	Total 1991	Total 1990
In operation	95,792	711,341	-	59,486	108,261	974,880	902,057
For corporate use	933	6,861	-	563	-	8,357	9,943
	96,725	718,202	-	60,049	108,261	983,237	912,000
Under construction	285	27,388	2,496	-	10,099	40,268	41,376
Intended for sale	358	36	-	-	-	394	12,489
Land held for or under development	155	-	-	-	-	155	195
	97,523	745,626	2,496	60,049	118,360	1,024,054	966,060
Accumulated depreciation	-	51,353	-	1,916	31,410	84,679	70,591
	97,523	694,273	2,496	58,133	86,950*	939,375	895,469

During the year, the following costs were capitalized:

Finance charges	2,684	2,859
Operating expenses, property taxes less rental income	43	222
General and administrative expenses	758	1,701
	3,485	4,782

*Including $15,542,000 (1990: $14,611,000) for major tenant improvements related to properties rented by the corporation.

4. INVESTMENTS
(equity method)

	% of participation	1991	1990
Affiliated company			
Place Desjardins inc. (book value 1991: $10,438,475; 1990: $6,613,688) as indicated in the audited statement as at December 31, 1990 and unaudited financial statements as at March 31, 1991.	49	17,287	13,499
Joint venture company			
Société Bon-Pasteur enr.	43	2,000	-
		19,287	13,499

5. INVESTMENT IN A DIRECT FINANCING LEASE

Total minimum payments receivable from the rental of a building:

Year	
1992	345
1993	345
1994	345
1995	345
1996	345
Subsequently	1,470
Total minimum payments receivable	3,195
Less: Unearned financing revenue	1,312
Investment in a direct financing lease	1,883

6. ACCOUNTS RECEIVABLE

	1991	1990
Government departments and agencies	17,838	24,128
Other	8,974	9,603
	26,812	33,731

7. OTHER ASSETS - NET

	1991	1990
Deferred charges, at amortized cost:		
Discount and issuance expenses of long-term debt	3,697	3,657
Development of computer-based systems	1,990	1,277
Other	1,046	632
	6,733	5,566
Less: Deferred rental revenue	2,000	-
Prepaid expenses	4,733	5,566
Work in progress	2,427	1,132
	2,467	1,856
	9,627	8,554

8. LONG-TERM DEBT

	1991	1990
Debentures (a)		
Series A, bearing interest at an effective rate of 10.30%, maturing in 1995	40,800	40,800
Series B, bearing interest at an effective rate of 8.68%, until 1990 and 9.36% subsequently, maturing in 2006 with an option to redeem in 1990 (b)	10,245	50,000
Series C, bearing interest at an effective rate of 9.36%, maturing in 1991, with a privilege to exchange for series 2C debentures bearing interest at an effective rate of 9.73%, maturing in 2006 (c)	72,000	72,000
Series D, bearing interest at an effective rate of 10.91%, maturing in 2000 with an option to redeem (d)	50,000	50,000
Series E, bearing interest at an effective rate of 10.36%, maturing in 2013 with an option to redeem (e)	61,500	66,000
Series F, bearing interest at an effective rate of 10.78%, maturing in 2014	150,000	150,000
Series G, non-interest bearing, par value of $121,500,000 at present value with an effective average rate of 11.86%, maturing on different dates up to, and including, 1995 (f)	85,652	-
Notes for which the capital and interest payments made in Yens are covered by foreign exchange contracts at pre-determined fixed rates (a)		
Interest at an effective rate of 12.31%, maturing in 1995, repayable in annual payments of $8,160,000 beginning in 1991	40,800	40,800
Interest at an effective rate of 9.72%, maturing in 1997	50,000	50,000
Interest at an effective rate of 10.04%, maturing in 1994	40,000	40,000
Interest at an effective rate of 11.56%, maturing in 1992	30,000	30,000
Note bearing interest at an effective rate of 11.5%, maturing in 1994 for which the portion of capital and interest payments made in Deutsch marks is covered by foreign exchange contracts at pre-determined fixed rates (a)	40,000	40,000
Notes bearing interest at an effective rate of 10.63%, maturing in 1998 for which the capital and interest payments made in US dollars, and subsequently in French francs is covered by foreign exchange contracts at pre-determined fixed rates (a)	46,602	-
Liabilities arising from capital leases (g)	54,631	37,564
Loans at varying rates and terms (h)	1,519	2,222
	773,749	669,386

8. LONG-TERM DEBT (continued)

(a) Capital and interest payments are guaranteed by the Québec government.

(b) A reimbursement of series B debentures totalling $39,755,000 was paid on June 12, 1990 to holders having exercised their option to redeem prior to March 12, 1990.

(c) As at March 31, 1991, no holder of series C debentures has exercised his exchange privilege.

(d) From January 1 to January 31 of each of the years 1992 to 1997, holders may exercise this option and demand the redemption, by the corporation, of their debentures at par value on February 17 of the second year following the year in which the option is exercised. In such cases, debentures will bear interest, not withstanding the semi-annual interest coupon rate of 10.625%, at the rate of 8.625% per annum beginning on February 17 following the date on which the option was exercised.

(e) On March 28 of each of the years 1992 to 2012 inclusive, holders may exercise this option and demand the redemption, by the corporation, of debentures at par value. The corporation could redeem a maximum of debentures worth $4.5 million annually over the next 21 fiscal years.

(f) Debentures will mature, in series, for the following par values:

Year	
1992	3,722
1993	8,158
1994	16,882
1995	92,738

(g) Minimum instalments payable on capital leases are:

Year	
1992	10,732
1993	10,732
1994	10,732
1995	10,732
1996	10,732
Subsequently	206,960
Total minimum payments payable	260,620
Less: Theoretical interest at the rate of 11.65%	120,465
Incidental expenses	85,524
	205,989
Liabilities arising from capital leases	54,631

(h) The total amount of capital payments to be made during the next five years is as follows:

Year	
1992	264
1993	162
1994	182
1995	200
1996	146

9. CAPITAL STOCK

The shares of La Société immobilière du Québec are held by the Minister of Finance.

	1991	1990
Authorized:		
100,000 shares with a par value of $1,000 each		
Issued and paid up:		
80,001 shares	80,001	80,001

10. CONTRIBUTION BY THE QUÉBEC GOVERNMENT

The contribution by the Québec government was acquired by the substitution of La Société immobilière du Québec for La Société de développement immobilier du Québec on October 1, 1984.

11. RENTAL REVENUE

Rental revenue for the year ended March 31, 1991 was billed to government departments and agencies on the basis of foreseeable costs approved by the Québec government. These costs were allocated to government departments and agencies according to the pricing regulations for services rendered by the corporation. Occupancy agreements were then signed by the corporation and the government departments and agencies in question. Rental revenue is detailed as follows:

	1991	1990
Government departments and agencies	452,950	398,237
Other	13,700	14,316
	466,650	412,553

12. FINANCE CHARGES - NET

	1991	1990
Interest expenses:		
Long-term debt		
Debentures and notes	65,455	61,134
Liabilities arising from capital leases	5,340	4,247
Loans at varying rates and terms	213	247
Amortization of the discount and issuance expenses of long-term debt	278	298
Bank loans	14,039	7,956
	85,325	73,882
Interest income:		
Major tenant improvements billed to clients	7,931	7,323
Short-term deposits	419	1,671
Investment in a direct financing lease	243	255
Other	447	745
	9,040	9,994
	76,285	63,888
Less: Interest capitalized to properties and dams	2,684	2,859
	73,601	61,029

13. REBATE TO THE QUÉBEC GOVERNMENT

In March 1991, the corporation granted government departments and agencies, whose budget is voted by Parliament, rent reductions totalling $13,448,960 (1990: $15,000,000) in the form of a rebate paid to the Minister of Finance.

14. RETIREMENT PLANS

Employees of La Société immobilière du Québec participate in the Government and Public Employees Retirement Plan and the Civil Service Superannuation Plan, administered by a Québec government agency. The plans provide set benefits and contain guarantees respecting retirement and death.

The corporation's obligations to these government retirement plans are limited to its contributions as an employer for current services. The corporation's contributions charged to earnings during the fiscal year total $2,085,000 (1990: $1,838,000).

15. COMMITMENTS

Operating leases

Minimum payments required under operating leases:

Year	
1992	122,393
1993	97,556
1994	87,948
1995	76,574
1996	61,204
Subsequently	464,311
Total minimum payments	909,986

Construction and major tenant improvement projects

As at March 31, 1991, external work and fees related to construction and major tenant improvement projects were part of contractual agreements totalling $56 million.

16. CONTINGENCIES

By virtue of an agreement, the corporation, as a partner, guaranteed a loan for the Société Bon-Pasteur from a financial institution for up to $15.6 million in order to carry out a development project which has a construction cost estimated at $37 million.

A number of claims and legal proceedings against the corporation, in the amount of $2 million, were outstanding at the time of preparation of the financial statements. Based on the information available, management feels that it is very unlikely that the corporation's liability for these claims and legal proceedings is sufficiently important to affect its financial position.

If need be, any payments by the corporation will be charged off to earnings or capitalized to properties according to the type of claim.

17. COMPARATIVE FIGURES

Certain 1990 figures have been reclassified to conform to the 1991 presentation.

ORGANIZATION CHART